

SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Resolving Regional Challenges

ANNUAL REPORT 2006-2007

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SCAG

MISSION

LEADERSHIP > VISION > PROGRESS

Leadership, vision and progress which promote economic growth, personal well-being, and livable communities for all Southern Californians.

The Association will accomplish this Mission by:

- Developing long-range regional plans and strategies that provide for efficient movement of people, goods and information; enhance economic growth and international trade; and improve the environment and quality of life.
- Providing quality information services and analysis for the region.
- Using an inclusive decision-making process that resolves conflicts and encourages trust.
- Creating an educational and work environment that cultivates creativity, initiative, and opportunity.

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A person wearing a white long-sleeved shirt is holding a pair of black binoculars to their eyes. The background is a bright, hazy sky with a strong light source, possibly the sun, creating a lens flare effect. The overall tone is warm and optimistic.

SCAG has successfully managed its way through a multitude of policy and planning challenges facing our region.

MESSAGE FROM THE EXECUTIVE DIRECTOR

As the findings of our most recent *State of the Region Report* indicate, Southern California faces many complex and difficult challenges. We must continue to explore the connections between transportation, land use, housing, air quality and other critical planning issues. If we don't recognize the need to take a more comprehensive approach to planning our future, Southern California economic and social vitality will be threatened.

Of particular concern is the significant **air quality crisis** that Southern California is now facing. While the cultivation of our region's logistics industry will provide tremendous economic and job creation opportunities, none of that will be possible if our region doesn't begin taking steps today to significantly reduce the environmental impacts associated with goods movement. It has become clear that our worsening air is having real health and economic consequences for our residents, schools and places of business. Bold steps are needed to reduce emissions associated with goods movement.

Because of the need to address these critical air quality and public health issues, we must continue to advocate strongly for funding and implementation of transportation infrastructure projects throughout the region. SCAG has pushed the issue of infrastructure development to the top of the policy radar, and last year's hard-fought victory helped secure the state's largest investment in infrastructure in decades. But we have a long way to go to identify all of the funding necessary to meet our future transportation needs. We must fight for our fair share of dollars from Washington and Sacramento. We must pursue public-private partnerships and other innovative financing if we are meet all of our region's future transportation needs. Finally, we must be smart about how we make our infrastructure investments with limited resources. These issues are being considered as SCAG prepares to release its *Regional Comprehensive Plan* and *Regional Transportation Plan* later this year.

We must also move forward with our *Compass Blueprint* initiative, which is now producing tangible results as local communities throughout Southern California are employing many of the *Compass Blueprint* strategies in their respective planning efforts. Through *Compass Blueprint*, SCAG has begun to transform a regional dialogue over common goals into a locally directed, action-oriented effort that will ultimately reap tremendous dividends for the entire region.

SCAG also embarked on a new effort to meet Southern California's ever-growing housing needs. Working with our legislature and local leaders throughout the region, SCAG undertook a smarter, more effective and less contentious *Regional Housing Needs Assessment* (RHNA) effort. While it was still difficult, this year's RHNA resulted in a fair process that will play a major role in our region's ability to meet the future housing needs of its residents.

From speaking with one voice in advocating for Southern California's fair share of federal funding, to cultivating partnerships both within the state and internationally, to providing leadership on an assortment of goods movement, transportation, land use, housing and economic development issues, SCAG has successfully managed its way through a multitude of policy and planning challenges facing our region.

I am very pleased to present to you highlights of SCAG's major accomplishments during the past year.



Mark Pisano
Executive Director

THE STATE OF THE REGION 2006

MEASURING REGIONAL PROGRESS



The State of the Region serves as an annual “Report Card” for Southern California, rating its performance in mobility, employment, income, housing, air quality, safety and education.

NEW MEMBERS JOIN NATION'S LARGEST MPO

SCAG is the Metropolitan Planning Organization (MPO) for the six-county Southern California region, the nation's largest metropolitan area in terms of both size and population. Through SCAG, local governments throughout Southern California come together to develop solutions to common problems in transportation, housing, air quality, waste management and other issues. SCAG also acts as a clearinghouse, providing cities and counties with a wide array of demographics, forecasting, mapping and other regional statistics and data.

Decision-making occurs through SCAG's Regional Council, a governing body composed of 77 elected officials representing the cities, counties, tribal governments and transportation commissions within the region. SCAG's policy-making process is guided by the work of three Policy Committees (Transportation and Communications; Community Economic and Human Development; and Energy and Environment), and its operations are managed by the Administration Committee.

The agency also closely coordinates its efforts with a number of partners at the local, state and federal levels. In addition to its federal and state funding partners (Federal Highway Administration, Federal Transit Administration, Federal Aviation Administration, California Business, Transportation and Housing Agency, etc.), SCAG's planning efforts are also closely coordinated with fourteen subregions and six county transportation commissions.

During the last year, considerable strides were made in SCAG's efforts to expand its membership. As part of the 2006 General Assembly, historic changes to SCAG's Bylaws were approved to provide Native American tribes a formal voice in the regional planning process, including representation on the Regional Council and policy committees. SCAG's ranks increased with the addition of several new local government members, including the cities of Blythe, Canyon Lake, Perris, Westminster and Vernon, as well as the Pechanga Band of Luiseño Indians.

ANNUAL "REPORT CARD" IDENTIFIES REGIONAL CHALLENGES

According to *The State of the Region 2006* report released by SCAG in December, Southern California still struggles with quality of life issues but finally has the resources to make improvements. The report cited worsening traffic congestion, poor air quality, a nearly record low level of affordable housing and weak household income as major challenges to the region's well being. On the positive side, the report also noted that regional employment was growing at a faster pace than the nation and that violent crime rates continued to decline. With the passage of state infrastructure bond measures, as well as the recent renewal of several local county sales tax measures, a new influx of financial resources will help the region address many of its most critical infrastructure issues.

The State of the Region serves as an annual "Report Card" for Southern California, rating its performance in employment (grade of "B"), income (grade of "C"), housing (grade of "D"), mobility (grade of "F"), air quality (grade of "C"), education (grade of "D") and safety (grade of "B"). SCAG also included energy as a new policy issue to be addressed in this and subsequent regional reports.

Demonstrating the growing resonance of *The State of the Region 2006* report, SCAG was asked to join Caltrans and fellow statewide MPOs and Council of Governments in developing a new "California Regional Progress Report." This report is intended to build upon SCAG's expertise in developing its own State of the Region report in efforts to assess how California is faring in key public policy areas. It will assess data and analysis across a range of transportation, economic, social and environmental indicators with an emphasis on support of the Blueprint Planning Program development and implementation.



SCAG is working closely with AQMD to identify innovative measures for achieving additional emission reductions.

SCAG TEAMS WITH AQMD TO TACKLE AIR QUALITY CRISIS

In the spring of 2007, a joint meeting of SCAG's Policy Committees and Regional Council was held to discuss the local Air Quality Management Plans (AQMPs) being developed by the various air districts within the region. Presentations were provided on the status of AQMPs being developed by the Imperial County Air Pollution Control District, Mojave Desert Air Quality Management District, Antelope Valley Air Quality Management District, Ventura County Air Pollution Control District, and South Coast Air Quality Management District (AQMD).

As the nation's primary gateway for the movement of goods, Southern California derives significant economic benefits from hosting the nation's two largest ports and an ever-growing logistics industry. However, the region is also subjected to serious public health consequences because of the air pollution produced by these activities. A recent California Air Resources Board study found that the South Coast Air Basin suffers approximately 5,400 premature deaths, 2,400 hospitalizations, 140,000 cases of asthma and 980,000 lost work hours each year as a result of exposure to diesel-related pollution. Residents living in the South Coast Air Basin are exposed to 82 percent of the state-wide exposure and 52 percent of the national exposure to the pollutant known as "PM2.5" above the federal standard. One of the primary emission sources of PM2.5 in the region are goods movement activities from heavy duty diesel trucks, locomotives and ocean-going vessels.

Identifying solutions to this challenge is further complicated by the fact that more than 80 percent of the emissions associated with these pollutants are under the jurisdiction of the U.S. Environmental Protection Agency and the California Air Resources Board.

At the 2007 General Assembly meeting, the Regional Council took unprecedented action in calling upon both federal and state governments to take emergency actions in addressing the growing

air quality crisis in Southern California. SCAG is working closely with AQMD to identify innovative measures for achieving additional emission reductions, as well as to ensure that ARB vigorously pursues all possible avenues to achieve the federal PM2.5 standard. A Summit is planned for this summer that will detail the extent of the crisis for federal and state lawmakers and bring forward potential solutions for action.

MULTIPLE AGENCIES JOIN SCAG IN DEVELOPMENT OF NATIONAL FREIGHT GATEWAY STRATEGY

SCAG has long recognized that our region's ability to serve as the nation's pre-eminent trade center is one of the keys to our economic future. SCAG has made huge strides in terms of bolstering efforts to address the region's goods movement network. The Regional Council authorized SCAG's participation in a Memorandum of Understanding (MOU) with area transportation agencies to develop a Southern California National Freight Gateway Strategy.

This MOU represents an important step in developing the governance structures needed to implement a regional goods movement investment effort and positions Southern California as a global gateway region. The MOU establishes SCAG, Los Angeles County Metropolitan Transportation Authority, the Orange County Transportation Authority, Riverside County Transportation Commission, San Bernardino Associated Governments and the Ports of Los Angeles and Long Beach as the "principle conveners" to develop a framework that addresses the region's goods movement challenges.



Local leaders made a strong case to federal counterparts to support Southern California as the nation's leading trade gateway region.

STUDY INDICATES SYSTEM USERS WOULD HELP FINANCE INFRASTRUCTURE IMPROVEMENTS

SCAG completed a truly historic port elasticity study, which generated significant and encouraging information regarding the level of cargo fees the shipping community could accommodate and support if the revenues from those fees were invested in goods movement infrastructure and environmental improvements.

This study, as well as other work from SCAG's transportation section, is creating a clearer road map in terms of how those kinds of cargo fees and tolls will finance the road and rail infrastructure needed to meet our region's future trade demands while simultaneously making the environmental improvements necessary to minimize the community impacts.

FIGHT FOR ADDITIONAL INFRASTRUCTURE FUNDING FROM STATE PAYS OFF

On a related front, SCAG's hard efforts to put goods movement and other infrastructure issues on the policy agenda paid off. In November, voters overwhelmingly approved a series of infrastructure bond measures intended to provide critically needed funding, not only for goods movement projects but also for highways, transit, housing, open space and water resources. The bond package included Prop 1B, which will provide more than \$8 billion in bond funding for critical transportation, air quality and port security projects throughout Southern California.

In February, the state allocated more than \$4 billion in funds to vital transportation projects throughout the state. In May, SCAG held a Bond Implementation Workshop that provided local governments with a clear road map for how the funds are going to be allocated from the various bond accounts, and highlighted the considerable effort needed to ensure that Southern California gets its fair share of the funding. SCAG has led the charge in terms of fighting for additional infrastructure dollars. Even though the infrastructure

bonds don't solve the long-term funding problem, they represent an investment from the state on a scale that hasn't been seen in decades.

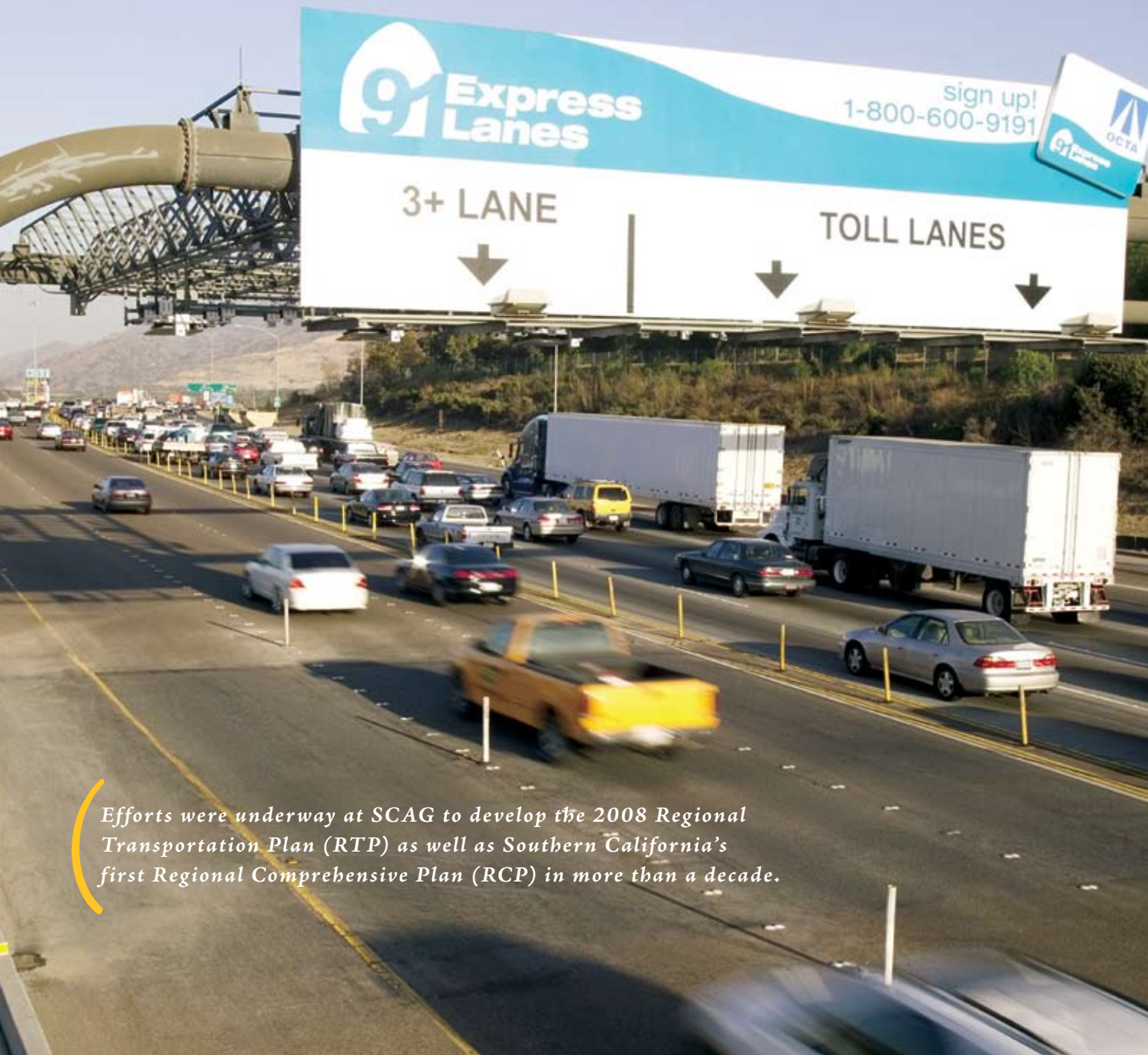
PUBLIC PRIVATE PARTNERSHIPS WILL PAVE THE WAY

SCAG also made significant progress in efforts to facilitate the formation of public-private partnerships to help finance some of Southern California's infrastructure needs. SCAG fought hard to support the passage of AB 1467 and AB 521, which provide for four goods movement-related public-private partnerships statewide – two in Southern California. The legislation requires that the California Transportation Commission select these projects after receiving nominations from both Caltrans and Regional Transportation Planning Authorities like SCAG.

REGIONAL ISSUES GAIN NATIONAL SIGNIFICANCE IN WASHINGTON

In February, a delegation of transportation leaders from the six counties that make up the SCAG region met with federal representatives to advocate for Southern California's fair-share in funding and related legislative actions for Southern California's goods movement infrastructure as part of SCAG's 2007 Consensus Program.

With more than \$250 billion in national trade revenue passing through the Ports of Los Angeles and Long Beach, local leaders made a strong case to federal counterparts to support Southern California as the nation's leading trade gateway region. Delegates urged federal leaders to safeguard the guarantees provided for goods movement in SAFETEA-LU and ensure a stable and reliable funding source for goods movement projects. In addition, delegates requested federal assistance in streamlining and fast-tracking the environmental review process for pending Southern California infrastructure projects.



Efforts were underway at SCAG to develop the 2008 Regional Transportation Plan (RTP) as well as Southern California's first Regional Comprehensive Plan (RCP) in more than a decade.

In addition to meeting with members of the Southern California congressional delegation, staff members of the House Transportation and Infrastructure Committee and other congressional leaders, the SCAG delegation also briefed high-ranking officials at the Federal Highway Administration, Federal Aviation Administration and the U.S. Department of Transportation.

NEW REGIONAL PLANS MAKE ALL THE RIGHT CONNECTIONS

Throughout 2006 and 2007, efforts were underway at SCAG to develop the 2008 Regional Transportation Plan (RTP) as well as Southern California's first Regional Comprehensive Plan (RCP) in more than a decade.

The 2008 RTP will provide Southern California with a comprehensive vision for its transportation future. SCAG is required under federal mandate to update its RTP every four years, addressing air quality attainment and transportation needs for the region. The funding projections have improved to some extent with the passage of the infrastructure bond measures in 2006, but the costs of transportation projects have increased as well as the cost to attain additional air quality requirements (i.e. PM2.5).

Recognizing that federal and state funding is inadequate to address the transportation needs for the region, the 2008 RTP will emphasize the importance of growth visioning, system management and of developing public-private partnerships to help finance certain transportation investments. SCAG and its regional partners have committed to the development of corridor system management plans as part of their submittals to the California Transportation Commission for bond funds.

SCAG is also working with regional partners to evaluate a number of public-private initiatives, including high-speed rail options, multi-county goods movement action plans, business case analysis for major investment projects and High Occupancy Toll (HOT) lane

analyses. The Draft RTP is expected to be released for extensive public review and input at the end of 2007, with the goal of adopting a final RTP by the Spring of 2008.

As a "companion" to the RTP, the RCP takes the full body of planning and policy work produced by SCAG and ties it together. The RCP is intended to be a usable reference document for local planners, business people, and other individuals whose work affects the future environment in Southern California.

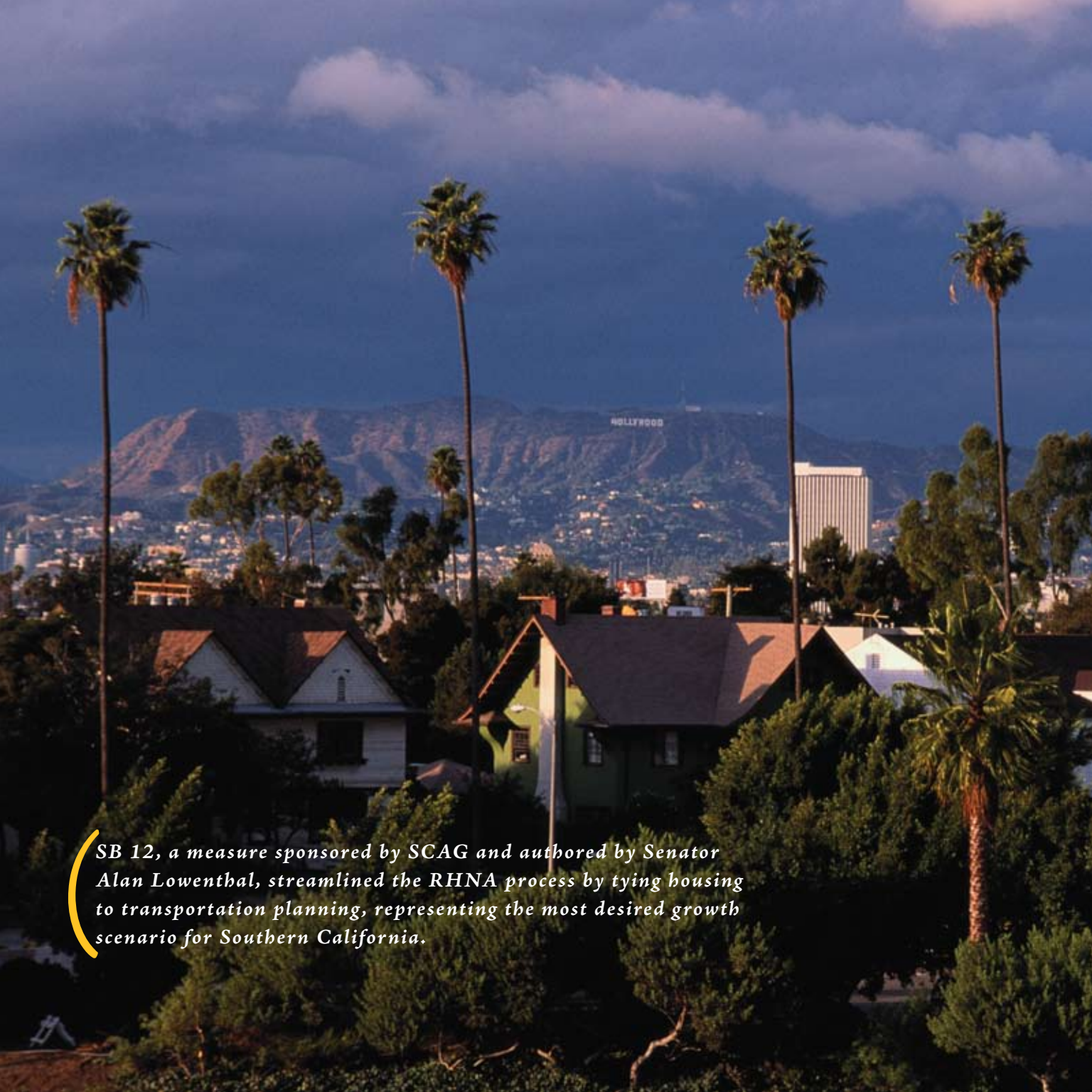
This RCP is built around the Compass Growth Vision and 2% Strategy adopted by the Regional Council in April 2004. The recommendations made within each chapter are comprised of infrastructure and resource activities consistent with the envisioned growth pattern.

The RCP will feature nine chapters, each based on an area of planning or resource management: land use and housing, solid waste, energy, air quality, open space and habitat, economy and education, water, transportation, security and emergency preparedness. A finance strategy will accompany each chapter, identifying funding opportunities.

SCAG LEADS A BI-NATIONAL EFFORT TO FORM A SOUTHWEST ALLIANCE

In October, more than 70 elected, business and community leaders from both the United States and Mexico met for SCAG's 3rd bi-national meeting of its "Southwest Alliance" to develop strategies on transportation, infrastructure and economic development throughout the Arizona-California-Northern Mexico border region. The meeting represented an extension of efforts to enhance the planning and infrastructure development for goods movement in this Global Gateway region.

Mexico is now the largest recipient of California exports, and imports from Mexico have more than doubled in the past decade



SB 12, a measure sponsored by SCAG and authored by Senator Alan Lowenthal, streamlined the RHNA process by tying housing to transportation planning, representing the most desired growth scenario for Southern California.

to more than \$20 billion. The rapid growth of goods movement in Southern California and the increase in trade opportunities since the passage of NAFTA make economic integration and bi-national infrastructure development vital to the mega-region. Several speakers stressed the importance of an integrated economic development strategy affecting manufacturing, services and supply channels in the entire southwest region.

By identifying priority infrastructure improvements and forging economic links among Southern California, Southern Arizona and Northern Mexico, the Southwest Alliance is working to create a region that is a competitive force internationally.

AIRPORT DECENTRALIZATION ADVANCES FROM VISION TO PLAN

On the long-standing issue of promoting the decentralization of Southern California's airport system, SCAG achieved several milestones. The Regional Airport Management Implementation Study was completed, providing a critical road map for how a regional airport system can best be implemented and managed.

Additionally, SCAG provided important input to the Southern California Regional Airport Authority as they re-initiated their efforts to bring regional consensus behind the future of our airport system.

SCAG-SPONSORED STATE BILL STREAMLINES EQUITABLE DISTRIBUTION OF HOUSING CREATION

In February, the Regional Council approved and released the Draft Regional Housing Needs Assessment (RHNA) Allocation Plan after receiving extensive input on its Integrated Growth Forecast and allocation methodology. The Draft RHNA Allocation Plan includes:

- Initial recommendations for distributing the regional housing need allocation of approximately 700,000 units;


- The ability for local governments to request revision to their allocations while concurrently filing appeals requesting review of proposed revisions by the RHNA Appeals Board.

Revisions and appeals were heard by SCAG in late April, with the final RHNA proposed to be adopted by the Regional Council in early July for submission to the state Housing and Community Development Department.

The RHNA process would not have been possible without parallel efforts to create a new RHNA pilot program via state legislation. SB 12, a measure sponsored by SCAG and authored by Senator Alan Lowenthal, streamlined the RHNA process for the SCAG Region by tying housing to transportation planning, representing the most desired growth scenario for Southern California. The measure also provides for greater local input regarding the planning factors to be used in determining each jurisdiction's housing allocation. The bill was signed into law by the Governor in April after receiving overwhelming support in both chambers of the state legislature.

COMPASS BLUEPRINT PROJECTS DEMONSTRATE NOTABLE BENEFITS OF LAND USE STRATEGIES

SCAG approved a series of criteria to prioritize, select and fund new Compass Blueprint Demonstration Projects to assist local cities with plans and projects consistent with the Compass Principles. A number of Compass Blueprint projects selected during the first phase are at or near completion in Compton, Corona, Hemet, Lancaster, Los Angeles City & County (Exposition Line), Montclair, Moreno Valley, Ontario, Perris, Riverside, Rolling Hills Estates, San Bernardino and Temecula. Now Phase two is underway for 15 new applications received from Azusa, Coachella, Colton, El Centro, El Monte, Fillmore, Fontana, Highland, Lawndale, Los Angeles City Redevelopment Agency/Hollywood Chamber, North Orange County Cities, Rancho Cucamonga, Rialto, San Gabriel, and Ventura County Civic Alliance. These projects are anticipated to be completed by September, 2007.

A young girl with dark hair, wearing a blue denim vest, is smiling broadly at the camera. In the background, a family of four (a woman, a man, and two children) are smiling and sitting at an outdoor table. The table is set with plates of food, including corn, tomatoes, and a salad, and glasses of juice. The scene is outdoors with trees and a building in the background.

SCAG's Economic Conference brought together several hundred distinguished economists, business leaders, state and local elected leaders, as well as other experts.

In May, as part of the Housing Summit, SCAG hosted the 1st Annual Compass Blueprint Awards luncheon. Cities, developers and non-profits from all over the region that applied to the awards program and were selected by a panel of judges were recognized in a variety of categories, including the President's Awards for Overall Excellence and four categories related to Compass Principles with awards for excellence and achievement in Visionary Planning for Prosperity, Livability, Sustainability and Mobility. President Ovitt presented awards for 16 plans and projects for their innovative and visionary planning efforts. Top awards went to the cities of Glendale, Ontario, Fullerton, Anaheim, Long Beach, San Gabriel and San Dimas, as well as a Distinguished Leadership Award to the Western Riverside Council of Governments (WRCOG).

“MIDDLE CLASS ON LIFE SUPPORT” THEME DRAWS HUNDREDS TO ANNUAL ECONOMIC CONFERENCE

In March, SCAG held the 10th Annual Regional Economic Forecast Conference, with the primary objective of identifying goals and strategies to address the growing economic and social challenges facing Southern California's middle class. The SCAG conference brought together several hundred distinguished economists, business leaders, state and local elected leaders, as well as other experts. They discussed a variety of issues relating to our region's position and economic competitiveness.

The conference included panel discussions and presentations about our region's successes and failures in addressing the needs of our middle class. Among the strategies raised at the conference were:

- More directly linking the state's educational system to its long-term economic development strategies.
- Bolstering the region's goods movement infrastructure network – with a parallel effort to address the environmental

and community impacts of goods movement – as a way to create nearly one million high-paying jobs in the logistics industry.

- Enhancing workforce training and adult education programs throughout the region, particularly at the community college level.

REGIONAL LEADERSHIP ACADEMY A BIG HIT WITH MEMBERS

In March, fourteen members of the Regional Council began participating in the inaugural Regional Leadership Academy under the auspices of SCAG. The Regional Leadership Academy program is designed specifically for the elected officials who serve as members of the SCAG Regional Council and its Policy Committees. This program is intended to offer new approaches aimed at enhancing leadership skills and expertise in regional planning.

To develop and conduct the Leadership Academy, SCAG went through a competitive bid process and selected a team of top University of Southern California experts in the fields corresponding to SCAG's mission including governance, urban planning, public health and civic engagement. The program consisted of five intensive workshops, and ran from March through June 2007.

AMBITIOUS PLANS FOR PUBLIC PARTICIPATION IN PROGRESS

In March, the Regional Council unanimously approved the agency's Public Participation Plan. The Plan serves as a guide for SCAG's public involvement process, as well as the continuing, comprehensive and coordinated planning process among the stakeholders to ensure the ongoing opportunity for broad-based participation in the development of regional plans and programs.



SCAG's web site (www.scag.ca.gov) also serves as an important communications tool between the organization and the public.

With this Plan, SCAG has broadened its current participation activities to engage a more extensive group of stakeholders. SCAG reached out to all 14 subregions, 16 Tribal Governments, various environmental organizations, air districts, federal and state resource agencies, and other interested parties as it developed the plan.

SCAG RECEIVES LOCAL AND NATIONAL RECOGNITION

SCAG was recognized for its efforts with several awards bestowed upon the agency in 2006 and 2007, including:

- 2006 “Tranny” Award (California Transportation Foundation): *SCAG Goods Movement Action Plan*
- 2006 Prism Award (Public Relations Society of America, Los Angeles Chapter): *The State of the Region 2006* Report Card
- 2006 Excellence In Financial Reporting Award for Fiscal Year Ending June 30, 2004 (Government Finance Officers Association)
- 2007 Communicator Award: *The State of the Region 2006*
- 2007 Communicator Award: 6th Annual Regional Housing Summit “Where Will Our Children Live?” Poster
- 2007 National Public Service Award, Mark Pisano, Executive Director, SCAG

PARTICIPATION AND DIALOGUE ALWAYS WELCOME AND ENCOURAGED

SCAG encourages dialogue, inquiries and active participation by all segments of the regional community. To foster these communications, SCAG produces the award-winning *eVision* newsletter, highlighting the progress of its activities and initiatives throughout Southern California. During the last year, a number of new and informative publications were developed, including:

- *2007 Gold Line Corridor Study Final Report*
- *2006 State of the Commute Report*
- *10th Annual Regional Economic Forecast Report*
- *2007 State and Federal Legislative Program*
- *The State of the Region 2006*

In addition to these reports, SCAG released its newly updated versions of the *Guide to SCAG*, *Member Handbook*, *Regional Pocket Guide*, and the *Legislative Reference Guide* as essential communications materials for both its members and the public at large.

SCAG’s web site, www.scag.ca.gov, also serves as an important communications tool between the organization and the public. The web site provides detailed information about SCAG and its subregions, including up-to-date information on SCAG’s major initiatives. It also provides information regarding SCAG’s Regional Council and Policy Committee meetings. From the home page, you can “Get Involved” by submitting questions or requesting a presentation for your organization. You can also help directly shape the issues defining Southern California’s future by participating in our online survey.

To learn more about how you can access these important, informative regional tools, contact:

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FINANCIAL SUMMARY
FY 2005-2006 – ACTUAL AUDITED*

REVENUES

Federal Grants, net	\$ 21,694,775
State Grants & Contracts	206,516
Local Grants & Contracts	1,827,834
Membership Assessments:	
Cities	1,070,516
Counties	262,269
Commission	35,000
Interest and other	312,216
Total revenues	\$25,409,126

EXPENDITURES

Transportation	20,401,077
High Speed Rail	2,365,430
Aviation	1,019,262
Housing	50,179
Administration	1,536,062
Capital Outlay	37,822
Total expenditures	\$25,409,832
Excess of expenditures over revenues	\$ (706)

* The financial statements included herein are summarized from the *Comprehensive Annual Financial Report* which contains the independent auditor's report. A copy may be obtained from SCAG by contacting Basil Panas at 213.236.1817 or panas@scag.ca.gov.



SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS

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